



# CHARACTERISTICS DIFFERENTIATIONS OF ORGANIZATION: SOCIAL ENTERPRISES AND CORPORATE ENTERPRISES

Heena

Research Scholar, Faculty of Management Studies (F.M.S), New Delhi.

## ABSTRACT

To date, most efforts to define social entrepreneurship have focused on adapting existing management theories on entrepreneurship and non-profits rather than distinguishing the organizational purposes and structure of social entrepreneurship from traditional for-profit organizations. There is little consensus among academicians and practitioners alike as to what social entrepreneurship is and what it is not. To articulate a clear and non-ambiguous definition of social entrepreneurship, it is necessary first to understand the distinguishing features of social entrepreneurial ventures compared with corporate entrepreneurial ventures and non-profit organizations. This article differentiates these ventures in terms of their motives, goals, antecedent conditions, processes, role of the entrepreneur and outcomes. In doing so, it provides a brief summary of the state of knowledge in the emerging field of social entrepreneurship and raises new questions and hypotheses for future research on this topic.

**KEYWORDS:** social entrepreneurship, corporate entrepreneurship.

## Introduction

There has been growing dissatisfaction with both the market and the state as mechanisms for addressing contemporary social, economic and environmental problems. The state is accused of stifling initiatives, creating unresponsive bureaucracies and generally absorbing escalating shares of national income. The market, on the other hand, has been criticized for ignoring human needs and producing untenable social inequalities. The very nature of capitalism and repeated government failures to solve the most pressing social problems of our time has led to an increasingly frantic search for a new approach that does not rely solely on the market and/or the state to deal with socio-environmental problems (Salamon, 2001; Salamon, Sokolowski & List, 2003). Reasons for this search include a growing sense that the welfare system in Western European as well as in North American countries has become overloaded and the expectations of the system are not aligned with reality. Moreover, some scholars have argued that the inadequacy of the state welfare system has stifled initiatives, absolved people of personal responsibility and encouraged dependence on the government (Fraser & Gordon, 1994; Salamon et al., 2003). As well, globalization has vastly reduced the state's ability to be an agent of development, stimulating new ideas on the role of the government in modern economies.

Concepts such as 'assisted self-reliance' or 'participatory development' that stress the engagement of grassroots energies and enthusiasm through non-governmental organizations (NGOs) have been proposed as the 'third way' or 'middle way' to confront the socio environmental problems of our time (Salamon, 2001).

Efforts to define 'social entrepreneurship' have focused primarily on the characteristics and traits of a social entrepreneur (Alter, 2004; Alvord, Brown & Letts, 2004; Dees, 2001; Martin & Osberg, 2007; Thompson, Alvy & Lees, 2000; Thompson, 2002). For example, social entrepreneurs are said to be visionary leaders who possess a strong ethical orientation, a high degree of social focus, ambitiousness and the capacity for continuous adaptation, creativity, resourcefulness and resilience (Bornstein, 2007; Dees, 2001). However, many of these traits and skills are associated with corporate entrepreneurs as well (Gitman & McDaniel, 2008; Gordon, 2006). It is reasonable to ask, therefore, how social entrepreneurs differ from business entrepreneurs. More specifically, what values, motives and behavioral repertoires distinguish a social entrepreneur from a corporate entrepreneur? One might ask whether social entrepreneurs differ in the way these personal characteristics and traits are put to use. For example, social entrepreneurs use their entrepreneurial talent to create a positive social change, whereas corporate entrepreneurs use their entrepreneurial finesse to create personal wealth. Generating 'social value' is more important to a social entrepreneur whereas corporate entrepreneurs are more focused on the generation of 'economic value'.

A social entrepreneur seeks to invest his or her resources in problems that make more 'social sense'. On the other hand, a corporate entrepreneur seeks to invest in issues that make more 'economic sense' (Ashoka.org; Wei-Skillern, Austin, Leonard & Stevenson, 2007). In an effort to clearly distinguish social enterprises from other types of entrepreneurial ventures and lay the foundation for systematic empirical work in this area, this article: (i) summarizes what is known about social enterprises and social entrepreneurship as well as corporate enterprises and entrepreneurship and (ii) distinguishes between the two in terms of their defining features, antecedents, processes and outcomes. By doing so, it raises

new questions and hypotheses for further investigation.

## Social Enterprises and Social Entrepreneurship: State of Knowledge

In general, social enterprises are oriented towards reversing an imbalance in the social, structural and political system<sup>3</sup> by producing and sustaining positive social change,<sup>4</sup> which could be a product of religious impulses, social movements, cultural or professional interests, sentiments of solidarity and mutuality, altruism, and more recently, the government's need for assistance to carry out public functions.

They provide a private means to pursue public purposes outside the confines of the market and the state (Halpern, 1997). Service delivery is not the exclusive mission of social enterprises; rather they act as social change agents taking up the role of educators and advocates challenging society to respond to human problems mainly through transforming public policy (Ryan, 1999).

Indeed, it is such social movements that have led to the civil rights movement, the battle for a cleaner environment, the fight for equality for women and many other social causes that have changed the world (Salamon & Anheier, 1992). Because of their unique combination of private structure and public purpose, their generally smaller scale, connections to citizens, flexibility and capacity to tap private initiative in support of public purposes, SEVs have surfaced as strategically important potential partners in the effort to forge new solutions to existing social problems.

Since social enterprises are member-controlled and people-centered, and the benefits of the sector's activity are frequently non-monetary in nature, their primary socio-economic purpose is to contribute to the maintenance of economic and social cohesion within a particular community or society (Oatley, 1999). In other words, drawing on the work of scholars in this field, we define social enterprises as high-impact ventures that address long-standing socio-environmental problems, focus on long-term collaborative community capacity building, rely on collective wisdom and experience, foster the creation of knowledge and networks and facilitate sustained positive social change (Martin & Osberg, 2007; Wei-Skillern et al., 2007).

## Defining Features, Antecedents, and Goals of Social Enterprises Compared with Corporate Enterprises

There is relatively little contention about the definition and goals of corporate/business entrepreneurship. A business organization is defined as a 'commercial enterprise, profession, or trade operated for the purpose of earning a profit (economic value creation) by providing a product or service' (Friedman, 2007). These businesses vary in legal form ranging from sole proprietorship, corporations, partnerships, to limited-liability companies. Corporations and businesses aim to generate economic value for personal and stakeholder wealth maximization (Friedman, 1970). They are created as a result of a perceived economic opportunity (Sahlman, 1996). The concept of a 'social enterprise' (SE), on the other hand, is inherently complex and little consensus has emerged in the literature thus far as to what it means, what its distinguishing features are, and how and why they come about (Trivedi, 2010b). To date, efforts to define SE have conceptualized it in terms of the characteristics of a social entrepreneur (Alter, 2004; Dees, 2001; Thompson, 2002), the processes of social entrepreneurship (Wei-Skillern et al., 2007) and the outcomes SE generates (i.e. from purely social to socio-economical) (compare Jeffs, 2006; Mair & Marti, 2006).

These definitional efforts can be distilled into four common themes: (i) an emphasis on 'social goals' as opposed to economic gains; (ii) the social activist role played by the social entrepreneur; (iii) elements of entrepreneurship and innovation (at least in most examples) and (iv) creating and using economic profit as a means to solve a social problem rather than as an end in itself

### Differences in Antecedent Conditions of Social Enterprises, Corporate Enterprises

A key difference between social and corporate entrepreneurship that has received relatively little attention in the literature are the factors influencing the origin of social entrepreneurial ventures. One of the defining features of social entrepreneurship is the existence of a social problem. While economic opportunity is at the heart of a commercial enterprise, socio-environmental problems are at the core of a social enterprise. Commercial entrepreneurs look for an opportunity to create and satisfy new needs (and wants), whereas social entrepreneurs focus on serving basic and long-standing socio-environmental needs. For an opportunity to be considered viable, commercial entrepreneurs require a growing market size or growing demand. For social entrepreneurs, on the other hand, recognized social needs, market failure and repeated unsuccessful attempts by the government to address socio-environmental problems are reasons enough to pursue the social goal (Austin, Stevenson & Wei-Skillern, 2006). Market failure often results from the inability to pay for services by those who need them (Austin et al., 2006). The developments of SEVs are largely a result of traditional market failures and underdeveloped public approaches to address some of the most pressing socio-environmental problems (Wei-Skillern et al., 2007). Hence, market failure, which is a problem for corporate enterprises, is an opportunity for social enterprises.

### Characteristics of Social Entrepreneurs Compared to Corporate Entrepreneurs

Prior research has found many parallels between social and commercial entrepreneurs when it comes to personality and behavioral traits (Drucker, 1989; Gitman & McDaniel, 2008; Gordon, 2006). There are some essential personal characteristics of these entrepreneurs that contribute to the success of the venture. A recent empirical study conducted by Sharir and Lerner (2006) identifies eight variables that contribute to success of a social venture. Out of these eight variables, five are directly related to the qualities of the entrepreneur, namely, the entrepreneur's social network, commitment, previous management experience, ability to integrate the vision and to establish strategic alliances. Similarly, a study of the characteristics of social entrepreneurs in the United States found that social entrepreneurs are more likely to have high social capital (Ryzin, Grossman, DiPadova-Stocks & Bergrud, 2009).

Although such studies of the personal characteristics of social entrepreneurs provide useful information about the leadership and organizational skills of such individuals, they do not explain the essence of these traits, why they are important and how social entrepreneurs use them to achieve their social mission and create and sustain social change. More research is required to understand what values, motives and behavioral repertoires distinguish a social entrepreneur from a corporate entrepreneur.

However, while intrinsic motivation among followers or collaborators is necessary for a social entrepreneur to maximize the benefits of the venture, extrinsic motivation may be sufficient for their counterparts. Efficiency and effectiveness seem to be more essential for corporate entrepreneurs, while value-added collaboration is more important for social entrepreneurs. Decision-making power is also rather limited to the management in corporate ventures. All of these personality and behavioral characteristics should be systematically and empirically assessed in future research on the distinctive features of social and corporate entrepreneurship.

### Distinguishing Processes of Social Entrepreneurship as Compared with Corporate Entrepreneurship

Socio-environmental problems are inherently complex and social entrepreneurs are very adept at recognizing these complexities. Waddock and Post (1991) argue that social entrepreneurs not only have a unique ability to recognize the complexities of socio-environmental problems but they are also able to frame the problem in a new way that increases public awareness of the problem through their vision. They identify situational multiplexity, 12 crises (relevancy of the problem) and interdependence (requirement of multiple collaborators) as factors that lead to innovative vision. Whereas innovation, competition and profits are the driving forces for commercial entrepreneurs, social entrepreneurs foster innovation and inclusiveness, which enable them to bring about a positive change in the system and the society (Jeffs, 2006). Social entrepreneurs are usually supported by volunteers who share a common vision of mitigating socio-environmental problems. Since profit generation or maximization is not at the centre of such ventures, resource mobilization for social enterprise is very different compared with traditional business. Social entrepreneurs are the main propellers of resource generation in their organization. Along with their personal wealth, they rely heavily on their social networks to carry forward their mission. Social entrepreneurs understand the necessity of being inclusive to generate a feeling of ownership and sense of value-added participation<sup>13</sup> among collaborators. Value-added participation is at the heart of collective social action (Waddock & Post, 1991). Peredo and Chrisman (2006) also emphasize the importance of inclusiveness.

They argue that lack of ownership is the main reason that many poverty alleviation programs have devolved into global charity since most projects are conceived and managed by development agencies rather than members of community.

Commercial entrepreneurs are relatively less bounded by resource constraints. They have varied sources of financial support available to them based on their economic proposition (e.g. the market, venture capitalists, banks), and they can afford the best human resources available. Personal social networks are equally important in the initial stages of a new business venture, but the focus shifts to professional networks as the venture grows.

Another point of contrast is the issue of long term financial planning in both kinds of ventures. Whereas strategic financial planning is often overlooked by social enterprises, it is of vital importance in commercial ventures.

Yet, the importance of strategic financial planning is gaining importance in the social entrepreneurial world to ensure a revenue stream so essential for sustaining the venture (Boland, 2002; Boschee, 1997). In SEVs, the social entrepreneur's sustained efforts are required to garner funding for his/her social cause unless s/he is able to create self-sustaining financial system whereby others (including community members) can take charge of the management of the initiative and generate sufficient resources to sustain it. Similarly, the socio-cultural context of a corporate or social venture is very important in influencing the success of both types of entrepreneurs, despite the differences in their goals. The success of an SEV largely depends on the local political, social and cultural context, all of which influence how the local community perceives a social problem and its proposed solution. Similarly, history of success of similar ventures as well as the credibility of the entrepreneur also influence the outcome of the SEV (Waddock & Post, 1991). Social entrepreneurs understand the situational multiplicity, the relevance of the social problem, as well as the unique contextual circumstances surrounding and influencing the social problem and define it appropriately to generate awareness of the problem among others by promulgating an innovative vision.

### Key Outcomes of Social Entrepreneurial Ventures Compared with Corporate Entrepreneurial Ventures (CEVs)

Both kinds of ventures create different forms of social value. For commercial enterprises, however, social value creation is not the primary motive, whereas for SEVs it is the primary reason for their existence. Furthermore, commercial ventures are limited in their capacity to create social value. Commercial enterprises generate social value indirectly by generating economic gains, often by bringing resources (e.g. materials, manpower, human capital) into the organization and creating financially valuable outputs (e.g. innovation in the form a commercial product or technology) for sale outside the organization. Therefore, the social value created by commercial ventures is intrinsically tied to economic value generation. SEVs, on the other hand, are committed to creating social value within and outside the organizational boundary. For example, social enterprises encourage the sharing of ideas, innovations and best practices with other social enterprises, non-profits, NGOs and some commercial enterprises.

They encourage collaboration as opposed to competition with other organizations and foster the creation of knowledge and social networks. In this way, social enterprises spread their resources outside the organizational boundary.

Moreover, social enterprises create outputs that may or may not be linked to economic benefits for the organization (e.g. One World Health produces vaccine for black fever that saves many lives in developing countries even though the market value for this vaccine is low). Social value is a concept that is difficult to define and measure. Understandably, the evaluation of the processes and outcomes of social entrepreneurial efforts is a challenging task. Some of the most discernible problems in this regard are: (i) how to measure social outcomes? (ii) Is it even possible? (iii) What timeline should be used to evaluate such efforts? (iv) How to measure indirect benefits? And (v) is it morally justifiable to evaluate benefits that might not be measurable in the first place through a cost-benefit analysis and attach a monetary value to them? In such a scenario, it is pertinent to ask whether it is fair to compare social entrepreneurial efforts with for-profit entrepreneurial efforts.

### Conclusion:

This article had three goals: (i) to provide a brief summary of the state of the knowledge in the emerging field of social entrepreneurship; (ii) to distinguish between social enterprises and commercial enterprises in terms of their defining features, antecedents, processes and outcomes; and (iii) to raise new questions for future research on this topic. Social and corporate enterprises were compared on the following dimensions: (i) the purposes for their existence, (ii) the role of the entrepreneur during the lifecycle of the venture, (iii) the entrepreneur's personality and leadership traits, and (iv) the essential outcomes of the venture.

Key conceptual differences between social and corporate entrepreneurs and the practical implications were identified and discussed. In doing so, new questions were raised and hypotheses were posed for empirical investigation in future research on this topic. For example, it is hypothesized that a transformational leadership style is essential for the success of a social entrepreneurial venture but

not for a corporate venture. A broader and more fundamental issue raised in the article is the necessity of separating the scientific study and evaluation of social entrepreneurship from management and economic philosophy in order to develop a more nuanced and accurate conceptualization of social entrepreneurship and social entrepreneurial ventures.

## REFERENCES

1. Alter, K. (2004). Social enterprise typology. Available online at: <http://www.virtueventures.com/setypology/index.php> (accessed on 21 November 2008).
2. Alvord, S. H., Brown, L. D. & Letts, C. W. (2004). Social entrepreneurship & societal transformation: An exploratory study. *Journal of Applied Behavioral Science*, 40(3), 260–82.
3. Ashoka.org. Ashoka: Innovators for the public. Available online at: <http://www.ashoka.org/support/criteria> (accessed on 3 May 2009).
4. Austin, J., Stevenson, H. & Wei-Skillern, J. (2006). Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship theory and practice*, 30(1), 1–22.
5. Boland, B. (2002). Social Venture Partners Calgary: A window to social entrepreneurship. Edmonton, Alberta: Canadian Centre for Social Entrepreneurship.
6. Bornstein, D. (2007). *How to change the world: Social entrepreneurs and the power of new ideas* (updated ed.). NY: Oxford University Press Inc.
7. Boschee, J. (1997). What does it take to be a 'social entrepreneur'? *The Not-ForProfit CEO Monthly Letter*, 4(6), 1–3. (2008). A key lesson business can teach charities. *Chronicle of Philanthropy*.
8. Drucker, P. (1979). *The practice of management*. London: Pan Books. (1989). What businesses can learn from non-profits. *Harvard Business Review*, 67(4), 88–93.
9. Fraser, N., & Gordon, L. (1994). A genealogy of dependency: Tracing a keyword of the U.S. welfare state. *Signs*, 19(2), 309–36.
10. Friedman, J.P. (Ed.) (2007). *Dictionary of business terms* (4th ed.). Portland, OR: Barron's Educational Series.
11. Friedman, M. (1970). The social responsibility of business is to increase its profits. *The New York Times Magazine*, September 13.
12. Gitman, L.J., & McDaniel, C. (2008). *The future of business: The essentials to building your career*. Mason, OH: Cengage Learning.
13. Gordon, A. (2006). Essential qualities of an entrepreneur. Available online at: <http://ezinearticles.com/?Essential-Qualities-Of-An-Entrepreneur&id=398886> (accessed on 3 May 2009).
14. Halpern, C. (1997). Preface. In L.M. Salamon (Ed.), *Holding the center: America's non-profit sector at a crossroads*. New York: The Nathan Cummings Foundation.
15. Jeffs, L. (2006). Social entrepreneurs and social enterprises: Do they have a future in New Zealand. Paper presented at the ICSB world conference Melbourne, Australia.
16. Mair, J., & Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1), 36–44.
17. Martin, R., & Osberg, S. (2007). Social entrepreneurship: The case for definition. *Stanford Social Innovation Review*, Spring, 29–39.
18. Oatley, N. (1999). Developing the social economy. *Local Economy*, 13(4), 489–99.
19. Peredo, A.M., & Chrisman, J.J. (2006). Toward a theory of community based enterprise. *Academy of Management Review*, 31(2), 309–28.
20. Ryan, W.P. (1999). The new landscape for nonprofits. *Harvard Business Review*, 77(1), 127–36.
21. Ryzin, G.G.V., Grossman, S., DiPadova-Stocks, L. & Bergrud, E. (2009). Portrait of the social entrepreneur: Statistical evidence from a US Panel International Journal of Voluntary and Nonprofit Organizations, 20(2), 129–40.
22. Sahlman, W.A. (1996). Some thoughts on business plans. In W.A.
23. Sahlman, H. Stevenson, M.J. Roberts & A.V. Bhidé (eds), *The entrepreneurial venture* (pp. 138–176). Boston: Harvard Business School Press.
24. Salamon, L.M. (2001). The third sector and volunteering in global perspective. Paper presented at the Annual International Association of Volunteer Effort Conference.
25. Salamon, L.M., & Anheier, H.K. (1992). In search of the non-profit sector. I: The question of definitions. *International Journal of Voluntary and Nonprofit Organizations*, 3(2), 125–51.
26. Salamon, L.M., Sokolowski, S.W. & List, R. (2003). *Global civil society: An overview*. Bloomfield, CT: Kumarian Press.
27. Sharit, M., & Lerner, M. (2006). Gauging the success of social ventures initiated by individual social entrepreneurs. *Journal of World Business*, 41(1), 6–20.
28. Thompson, J., Alvy, G., & Lees, A. (2000). Social entrepreneurship: A new look at the people and the potential. *Management Decision*, 38(5), 328–38.
29. Trivedi, C. (2010a). A social entrepreneurship bibliography. *Journal of Entrepreneurship*, 19(1), 81–85.
30. Trivedi, C. (2010b). Toward a social ecological framework for social entrepreneurship. *Journal of Entrepreneurship*, 19(1), 63–80.
31. Waddock, S.A., & Post, J.E. (1991). Social entrepreneurs and catalytic change. *Public Administration Review*, 51(5), 393–401.
32. Wei-Skillern, J.C., Austin, J.E., Leonard, H.B., & Stevenson, H.H. (2007). *Entrepreneurship in the social sector*. Thousand Oaks, CA: Sage Publications.